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18 April 1986CC: SEA-¹⁸₂₈₁₈₆
action
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NOTE TO: D/OEA

The Secretary of State has sent to the Director another list of items of concern to him. The following items are in your area of responsibility.

Item: The Indonesian Trip: [REDACTED]25X1
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[REDACTED] it would be useful to have a brief on the ASEAN attitudes toward recent trends in Cambodia and their views of our policies toward the Philippines over the last four months.

Tasking: Please prepare a typescript for Director, INR on this issue with a copy to the DDI and ER. [REDACTED]

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Item: The Philippines: I will be leaving the Presidential party to go to the Philippines. [REDACTED]

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Please try to provide a response within a week.

JA
John L. Helgersen
Associate Deputy Director
for Intelligence

cc: NIO/EA

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Central Intelligence Agency

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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

28 April 1986

ASEAN Views on Cambodia and the Philippines

Summary

During President Reagan's visit to Bali, the ASEAN Foreign Ministers are seeking assurances of continued US support for their efforts to get the Vietnamese out of Cambodia. They also support the Aquino government in Manila despite serious concern about the prospects for Philippine stability. [Redacted]

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The Cambodian Issue

The Foreign Ministers, led by Thailand, seek US support for the latest diplomatic initiative on Cambodia, an eight-point proposal presented by the Coalition Government of Democratic Kampuchea (CGDK) in Beijing on 17 March. The proposal, largely an initiative of the Khmer Rouge, for the first time explicitly acknowledges the Coalition's willingness to allow a role for the Heng Samrin regime, but was quickly rejected by Hanoi because it would improve prospects for a Khmer Rouge return to power--an outcome none of the interested parties desires. The CGDK anticipated Hanoi's rejection,

This memorandum was prepared by [Redacted] Office of East Asian Analysis. Information available as of 28 April 1986 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Indochina, Thailand, and Burma Branch, Southeast Asia Division, OEA, [Redacted]

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[redacted] but offered the proposal to place Hanoi on the defensive. [redacted]

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ASEAN members, [redacted] are also uncomfortable with draft language on US aid that specifies Thailand will act as ASEAN's agent in openly dispensing US aid to the non-Communist resistance. We expect ASEAN members to continue to disassociate themselves from public connection with this program. [redacted]

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Hanoi shows no willingness to relax its domination of the Indochina states despite its promise to withdraw from Cambodia by 1990. Vietnam's strong military position in Cambodia, its concern over a return of the Khmer Rouge to power, and its fear of Chinese domination of Indochina militate against any inclination to compromise, in our view. [redacted]

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Although the non-Communist resistance groups are conducting more active operations inside Cambodia this year, they remain principally near the Thai border and have no prospect of dislodging the Vietnamese. (see the appendix) The Khmer Rouge remains the most effective military resistance to the Vietnamese and the Heng Samrin regime, having launched small-scale attacks in widespread areas over the past few months. These have increased Vietnamese security concerns, but do not appear to have shaken Hanoi's hold. [redacted]

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Thailand, which perceives the Vietnamese presence in Cambodia as a direct security threat, is particularly concerned about maintaining a hardline ASEAN consensus. Although Indonesia and the Philippines have accepted the hardline approach led by Thailand, Singapore, and Malaysia, Indonesia views a strong Vietnam as a buffer against China and is willing to accept Vietnamese domination of Laos and Cambodia. Elements in the Malaysian Government have views similar to Jakarta's, and a policy shift by Kuala Lumpur, possibly resulting from a leadership change, would undermine ASEAN's fragile majority. [redacted]

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The Aquino Government

ASEAN governments generally are relieved about the peaceful transfer of power in Manila, but remain concerned about the stability of the Philippines and its impact on regional security. Most had expected Marcos to prevail and initially favored him, but maintained a discreet silence until the outcome became clear. They are hoping President Aquino will quickly establish a stable, effective government. All continue to favor a US military presence via the US bases in the Philippines as a safeguard for regional security, but none would be willing to provide alternatives to the bases. [redacted]

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Singapore's Prime Minister Lee is the strongest supporter of Aquino within ASEAN. He had considered Marcos's failure to deal with his mounting political problems an invitation to greater New People's Army activity and a potentially destabilizing factor that threatened regional cohesion and jeopardized the US strategic position in Southeast Asia. Singapore has expressed strong interest in establishing a constructive relationship

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with the new Aquino government. Indonesia is ambivalent about the US role in the transition. Some Indonesians view the US role in Marcos's departure as meddling in domestic affairs and question US reliability. [REDACTED]

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The Soeharto government also is concerned that domestic opposition elements have been quick to draw parallels between Marcos's regime and Soeharto's 20-year rule in Indonesia. [REDACTED]

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Malaysia and Thailand are maintaining cordial, but low key, relations with Manila, awaiting the outcome of Aquino's efforts to consolidate power. Thai Foreign Minister Siddhi recently told a US official that he had sent a message offering Thailand's support to Aquino, but did not mention any specifics. Malaysian Foreign Minister Ritthauddeen has expressed concern that the Aquino government might splinter. In the past he has been impressed by officials in the Marcos government such as former Prime Minister Virata and former Labor Minister Blas Ople, but has been skeptical of the competency of members of the opposition. Malaysia is also looking for the new Philippine Government to retract its claims on Sabah, a longtime irritant between Kuala Lumpur and Manila.

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Until Aquino demonstrates firm control, we believe the ASEAN countries will remain somewhat distant. The Indonesians, in particular, believe Aquino's inexperience could relegate her to figurehead status, with the military exercising effective power--an outcome Jakarta would not find objectionable because of the role the military has played in Indonesia since Soeharto assumed power. All the ASEAN partners would be extremely concerned if potential instability in the Philippines should offer Moscow an opportunity to expand its influence in Southeast Asia, but we have no indications of how they might react to such a development. [REDACTED]

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Central Intelligence Agency

Washington D.C. 20505

DIRECTORATE OF INTELLIGENCE

2 May 1986

The Philippines: Factionalism Slowing the New Government

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SUMMARY

Although President Aquino embarked on her "honeymoon" two months ago determined to alter the country's political and economic course, in our view her initial efforts have been stalled by infighting in her government that threatens to squander Aquino's reservoir of popular support--her only source of legitimacy in the absence of established political institutions. The key challenge for Aquino in the months ahead will be to manage infighting in the coalition so that it does not prevent her from consolidating her political powerbase. Essential to her immediate political survival will be devising a legal basis for her government before the end of her honeymoon.

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Over the longer term, the establishment of a nationwide political machine and a constitutional basis for her government are critical to the progress of her ambitious program of reform. Failure to surmount any of these hurdles could produce a serious challenge to her rule and aggravate the social tensions which for years have threatened political and economic stability.

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This memorandum was prepared by [redacted] Southeast Asia Division, Office of East Asian Analysis with a contribution from [redacted] Office of Central Reference. Comments and questions are welcome and should be addressed to Chief, Southeast Asia Division, Office East Asian Analysis [redacted]

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The Fractious Coalition's First Steps

The euphoria that surrounded President Aquino's first days in office is fading as she grapples with the realities of dismantling Marcos's political machine and its institutional apparatus and working to ease the country's pressing problems. Persistent efforts by members of Marcos's former administration to resist her attempts to diminish their influence are partly to blame. But many of Aquino's actions, including the abolition of the National Assembly, the replacement of local officials with her supporters, and efforts to negotiate a ceasefire with the Communist insurgents at the military's expense, have also proven controversial among members of her own support base. The resulting public and private squabbles in the coalition have hindered the government's progress on even basic issues such as new mechanics for governing, in our view. Indeed, the Embassy reports that Aquino's domestic credibility as a strong leader has suffered because of her apparent hesitancy and inability to rein in renegade Ministers, such as Local Government Minister Aquilino Pimentel. [REDACTED]

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The groups within Aquino's coalition that appear to exercise the most influence on policy matters are members of her political party, PDP-LABAN, and include Cojuangco, Pimentel, and Agricultural Minister Ramon Mitra; a group of advisers called the "Jesuit Mafia" who share Aquino's social and religious values--including Father Joaquin Bernas, Jaime Ongpin, Trade and Industry Minister Jose Concepcion, and close associate Cecilia Munoz Palma; and idealistic leftists, such as Joker Arroyo and Presidential Spokesman Rene Saguisag (see figure). Aquino apparently solicits views from members of these groups before acting on tough decisions. The advisers, however, often take opposing positions, such as on the status of the National Assembly. For example, the US Embassy reports that Aquino's brother Cojuangco, who along with Pimentel has held sway with her on the issue of replacing local officials, was pressing her to work with the Assembly. Instead, according to the Embassy, Aquino went with the advice of leftists in her government--and apparently her own political instincts--and disbanded the body. [REDACTED]

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Because of the strength of Aquino's popular mandate and the revolutionary nature of her government, cabinet members have discovered that close personal ties to Aquino are essential to broad personal power within line ministries. [REDACTED]

The maneuverings of Vice President Salvador Laurel and Defense Minister Enrile--cabinet members but outsiders in most policy deliberations--have not helped matters. Both had presidential ambitions long before Aquino ascended to power and are fighting to create powerbases outside the government in an attempt to force the President to share power in political and military decisions. Aquino's decision to dissolve the National Assembly--where both had cultivated alliances with considerable numbers of Assemblymen--has removed

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their greatest source of independent political power and thus has lessened their leverage in the new government. Nonetheless, Laurel and Enrile continue to publicly criticize Aquino on issues such as replacing local officials and counterinsurgency strategy. They undoubtedly hope to distance themselves from potentially damaging government policies and to be in a position to capitalize on public dissatisfaction with Aquino's party when local and national elections are held--perhaps as early as November.* [redacted]

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The Issues: Squandering the Mandate?

Struggles in the cabinet to gain influence with Aquino have also prevented the government from moving ahead with its reformist agenda.

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[redacted] for example, issues such as formulating an integrated civil and military counterinsurgency strategy have been put aside while Aquino's close advisers attempt to strengthen her power base in local areas. The heavyhanded efforts by Pimentel, however, to stack local government with members of Aquino's party have drawn sharp criticism from Laurel, Enrile, and local residents, and are eroding Aquino's popularity outside Manila. Local government as a result has ground to a halt in some areas, and we believe public unhappiness with Aquino's approach to local government issues could destroy her hope of establishing a nationwide political apparatus before local elections are held. [redacted]

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In our judgment, however, ideological differences between leftist confidants and right-wing military advisers in the cabinet over how to proceed on counterinsurgency have thus far caused the most severe strains in the government (see Appendix A). [redacted]

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there is a growing impatience in the military--especially within the reformist ranks associated with Enrile--with Aquino's apparent belief that most of the Communist insurgents will surrender if the government adopts a conciliatory posture. [redacted]

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reformist officers believe Aquino's leftist advisers, specifically Arroyo and Saquisag, are responsible for her pacifist policy and one reformist officer even threatened to "lynch" those advisers who he believes are behind the policy. Nevertheless, at recent Philippine University graduation exercises, Aquino said that the government would soon announce a formal ceasefire proposal, despite increased insurgent military operations that have claimed nearly 500 lives--civilian, military, and insurgents--since she took office. [redacted]

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Learning From the Chaos?

[redacted] Aquino has become sensitive to the political costs of her recent actions and is moving in a fashion to contain the damage. According to the US Embassy, Aquino recently established a three-member panel composed of two PDP-LABAN members and one UNIDO representative to review local appointments made by Pimentel. Pimentel apparently is interpreting the move as a rebuke and is proceeding more circumspectly in placing supporters in local offices. In addition, the Embassy reports that Pimentel is now traveling to provinces and holding open meetings with prospective replacements before appointing new officials--probably in an effort to make the process appear less arbitrary. Pimentel also recently announced that government appointees to local offices would be removed if sufficient evidence suggested that the new officials were dishonest or incompetent. [redacted]

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Aquino has also taken steps to alter the public perception that leftists advisers are unduly influencing policy. She recently met privately with Labor Minister Sanchez, who had been advocating radical labor policies, including encouraging strikes at the US bases and calling for restrictions on foreign investment. The Embassy reports that Aquino chastised Sanchez for public advocacy of the recent strike at the bases and ordered him to help resolve it quickly. In addition, Aquino told him to moderate his public statements and concentrate on his transition from private citizen to public figure. Embassy reporting suggests that since the dressing down Sanchez's statements have been considerably more subdued, although businessmen remain unconvinced that he has had a change of heart. [redacted]

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[redacted]

Aquino's principal leftist adviser, Joker Arroyo, also appears to be more sensitive to the potential backlash against Aquino if the perception that she is controlled by radicals continues to flourish. According to the US Embassy, Arroyo is planning to approach Aquino with the suggestion that she assure Enrile that she will not go after wealth acquired by him under Marcos or pursue investigations of human rights abuses possibly committed by senior and reformist military officers. Arroyo also plans to urge Aquino to reconcile her differences with Laurel in an effort to strengthen the coalition. [redacted]

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A Breakdown of the Coalition: Prospective Scenarios

If Aquino's efforts at damage control and dampening factionalism in the coalition fail to halt growing disillusionment with her government, we believe she will be most vulnerable to challenges to her rule in the period before she is able to craft a constitution that seals her legitimacy.* The fluidity of the current political environment makes it difficult to predict what issues could irrevocably split the coalition and severely cripple Aquino's administration, but we can point to several potentially destabilizing issues that are already causing the new government difficulty and we foresee several scenarios for breakdown over the next six months:

Labor unrest in Manila. In our judgment, labor problems may become the most urgent economic issue for the new government. Strike activity increased 30 percent last year and was the highest since the imposition of martial law in 1972 as unions attempted to restore the dramatic losses in real income suffered over the last two years. Real compensation in manufacturing, for example, has declined by 25 percent since 1983. [redacted]

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Additional labor militancy is probable, according to US Embassy officials, because unions have become more radicalized. The KMU--a Communist-influenced labor organization--may have been involved in nearly half of last year's strikes. [redacted] strikes have become more violent because of the KMU's bolder and more aggressive participation. [redacted] for example, the KMU distributed propaganda material and joined the picket lines during the recent strike at Clark Air Field and Subic Naval Base--a development that could account for the confrontational and occasionally violent tactics adopted by the strikers. [redacted]

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For their part, unions leaders probably believe that strike activity will be more successful under the Aquino government. Many labor organizations--total union membership is about 5 million--supported Aquino during the election campaign and provided volunteers to poll monitoring groups on election day--a political debt that we believe the government cannot ignore when developing labor policy. Union leaders probably also believe that their interests will be well-served by the left-leaning Labor Minister Sanchez--a lawyer formerly involved in trying to organize unions against multinationals

*The Commission appointed by Aquino to write the new constitution will begin drafting 25 May and plans to finish it by 11 September, after which the constitution will be submitted to a national plebiscite. [redacted]

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operating in the Philippines. []

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Resulting Pressure on the Coalition. Recent developments in the labor sector increase the prospects for destabilizing confrontations between Aquino's left-leaning political confidants and conservative military and financial advisers. If the number of disruptive strikes increases substantially, Aquino undoubtedly would face pressure to crack down from key constituencies, including the military and business community. []

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Labor militancy could also become a major inhibitor to foreign investment, which the government is counting on to reverse the economy. The KMU recently said that it will increase the number of strikes against multinationals, particularly US firms. [] labor problems have already led several firms to abandon plans for new investments. [] one multinational firm--which was planning a \$15 million investment six months ago--now plans to cut its employment by 50 percent and relocate some operations to Indonesia. []

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Because of Aquino's public commitment to forge a different course than Marcos, however, we believe she would resist pressure to take action that might turn violent or, in her mind, violate workers' rights. For that reason, she would probably follow the policy recommendations of her left-leaning ministers, who served as legal counsel for labor activists arrested under martial law. A policy of accommodation, however, probably would fail to bring labor unrest under control--a development that would continue to jeopardize the country's internal stability and its economic recovery. Under these circumstances, we believe moderates in the coalition would be tempted to desert Aquino. Reformist officers headed by Defense Minister Enrile might then seek to ally themselves with these disaffected cabinet members and intervene in an attempt to restore public order. []

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Substantial Communist insurgent military and political victories.

According to the US Embassy, the Communist Party is aware of the potential advantages to be gained by an irrevocable split in Aquino's coalition and recent party strategy is designed to aggravate existing cracks in the coalition. An untested source of the US Embassy, says that the party is reassessing its longterm strategy for taking power, and views its participation in ceasefire negotiations with the new government as a tactic to buy time until it can implement a new game plan against Aquino. []

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[] the party's strategy of pursuing a ceasefire may be working. Recent statements by the party's political front organization that it is willing to discuss the government's ceasefire proposals have provided leftist cabinet members who are advocating a ceasefire with ammunition against right-wing military advisers who insist on a military approach to counterinsurgency. The US Embassy reports that Aquino's leftist advisers are convinced that party willingness to participate in negotiations is a first step toward eroding its mass base and bringing guerrillas down from the hills. More importantly, perhaps, the party's strategy appears to be working with Aquino. She apparently continues to believe that most guerrillas joined the insurgency out of frustration with the Marcos administration and thus will soon surrender and work with the new government. []

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[redacted]

In the meantime, the party has stepped up its military operations in the countryside and, according to a source of the US Embassy, may even be planning several spectacular operations in an effort to destabilize the new government. According to the US Embassy source, party leaders believe that military morale is low in the provinces because of the leadership shakeup under General Ramos and the party is trying to take advantage of disorganization stemming from military reform. In addition, party leaders have been attempting to neutralize the recent improvement of the military's image after its participation in the ousting of Marcos by criticizing Enrile and Ramos's participation in the new government. The source also says that the party is considering trying to seize an island--such as Mindanao where the armed struggle is most advanced--in an effort to bring down the new government. [redacted]

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Resulting Pressure on the Coalition. If the Communists pursue a series of escalating military incidents while continuing to negotiate a ceasefire with the government, Aquino would undoubtedly face strong pressure from Enrile and Ramos to cease negotiations and respond with a military crackdown. Aquino's tendency, however, to view the insurgents as Filipinos dissatisfied with the corruption and abuse of Marcos's military would probably make her reluctant to approve a decisive military response until all efforts to negotiate a ceasefire are exhausted. Strains between leftists and military advisers under these conditions would paralyze the coalition, and it would be vulnerable to a destabilizing split if insurgent hostilities took a dramatic upturn. [redacted]

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Although the insurgents probably are not in a position to challenge government control of an entire island such as Mindanao, we believe they could launch a nationwide coordinated military strike that would force the Armed Forces to temporarily abandon large areas, including several provincial cities. Such a provocative military operation probably would fail if the military marshalled its forces against the insurgents, but would deal a critical blow to the government over the short term. Although Aquino probably would be resigned to a government military response at this point, widespread military distrust of her ability to lead the fight against the insurgents--resulting from her earlier inaction--could easily prompt military leaders to seize the reins of power. In this situation, moderate coalition members--fearing an imminent Communist takeover--might abandon Aquino in favor of the military. [redacted]

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The hidden wealth of Marcos associates. Aquino's preoccupation with holding stalwarts of the Marcos regime accountable for past crimes has provided her supporters who are bent on retribution with a blank check to uncover [redacted] abuses. Although government [redacted] 25X6

investigators are proceeding with some caution in the area of military abuses, the Commission on Good Government headed by Jovito Salonga is vigorously pursuing the issue of hidden wealth. According to the US Embassy, Salonga has sequestered the assets of all known Marcos cronies. In addition, Aquino has asked cabinet members to release financial statements and verify their holdings to the committee. Aquino's personal involvement in the issue undoubtedly has worried several coalition members--including Finance Minister Ongpin who was president of a company in which Imelda Marcos's brother owned the controlling interest. [redacted]

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[redacted]

Defense Minister Enrile is worried that Aquino will use evidence of wealth he acquired under Marcos to ease him out of the government and he is threatening to use his influence in the reform movement against her if she allows further investigations of his role in Marcos's regime. [redacted]

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[redacted] including members of the reform movement, are also worried that investigations into human rights violations will turn into a witch hunt and a subsequent purge of the Armed Forces. Indeed, [redacted]

[redacted] who in the past defended victims of military abuse, are leading the campaign to expose crimes committed by the military. [redacted] officers at all levels--including many who believe that their past actions against civilians were justifiable in view of an active Communist insurgency--are concerned that they will be victims of overzealous investigations of the military under Marcos.

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Resulting Pressure on the Coalition. If Aquino fails to rein in advisers who are intent on uncovering all the sins of the Marcos era, it could shatter her fragile coalition. Her alliance with the military is already on shaky ground, and a ruthless investigation of human rights abuses probably would goad senior military leaders to withdraw their support for her government. In addition, Ongpin's former business relationship with the Marcos's--and his brother's cabinet rank under Marcos--underscores the extent to which her own government has been linked with the previous regime. An overzealous approach [redacted] untempered by current political realities could cost Aquino considerable credibility with her moderate advisers in our view--and even prompt an alliance with disaffected members of the military.

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Philippines: Degrees of Influence in the New Government

